S.Y. BFM - Sem IV - Medical Exam - July'2023

MALINI KISHOR SANGHVI COLLEGE OF COMMERCE AND ECONOMICS
SYBFM SEM 4: 'COMMODITIES DERIVATIVES'

Time: 2 ½ hours **Marks: 75**

M. K. SANGHVI COLLEGE OF COMMERCE & ECONOMICS MUMBAI-49

Note: 1. All questions are compulsory subject to internal choice.
2. Figures to the right indicate full marks

Q 1 (A) Fill in the blanks choosing the correct alternatives (Any 8) *(8)*

1. Daily mark to market settlement is done ________________
(a) Till the date of contract expiry (b) As long as the contract makes a loss
(c) On the last day of week (d) On the last trading day of the month

2. Commodity exchanges enable producers and consumer to hedge their ________ given the uncertainty of the future.
(a)seasonal risk (b) profit risk (c)production risk (d) price risk

3.________ Exchanges provide real time, online, transparent and vibrant spot platform for commodities.
(a) Electronic spot (b) Reginal (c) Stock (d) Futures

4.By using the currency forward market to sell dollars forward, an _______ can lock on to a rate today and reduce his uncertainty.
(a) Importer (b) Speculator (c) Exporter (d) Arbitrager

5. The total number of outstanding contracts (long/short) at any point in time is called ____.
(a)Hedge limit (b) Transaction charge (c) Deliver lot (d) Open interest

6. The first use of derivatives contract was __________.
(a) To manage price uncertainty (b) For speculation (c) For arbitrage (d) For trading

7. In matters where the exchange is a party to the dispute, the civil courts at _________ have exclusive jurisdiction.
(a) Delhi (b) Mumbai (c) Kolkatta (d) Ahmedabad

8. _________ give the buyer the right but not the obligation to buy a given quantity of the underlying asset, at a given price on or before a given future date.
(a) Futures (b) Forwards (c) Call Options (d) Put Options

9. __________ identifies the buyer to whom the delivery notice is assigned.
(a) The clearing corporation (b) The buyer (c) The exchange (d) The warehouse

10. An option gives the _____________ the right to do something.
(a) Seller (b) Exchange (c) Clearing House (d) Buyer

Q 1 (B) True or False (Any 7) *(7)*

1. Gold can be the underlying for a commodity derivative contract.
2. Arbitragers work at making profits by taking advantage of discrepancy between prices of the same product across different markets.
3. Options trading in commodity take place in Indian commodity exchanges.
4. The minimum net worth requirement for PCM on the NCDEX is 50 lacs.
5. A forward contract is an agreement between two entities to buy or sell the underlying asset at a future date, at today's pre-agreed price.

6. A company that wants to sell an asset at a particular time in the future can hedge by taking short futures position.
7. CHARJDDEL is a symbol for the Chana futures contract traded on NCDEX.
8. The commodities cannot be revalidated after the Final Expiry Date (FED).
9. Any person seeking to dematerialize a commodity has to open an account with an approved clearing house.
10. If the last trading day as specified in the respective commodity contract is a holiday, the last trading day is taken to be the previous working day of the Exchange.

Q 2 A. Define derivatives and explain the elements of Financial Derivatives? *(8)*
Q 2 B. Who are the participants in the derivative market? *(7)*

OR

Q 2 C. Difference between Forwards and Futures. *(8)*
Q 2 D. Explain briefly the functions of derivative market. *(7)*

Q 3 A. Explain in brief the National Commodities Exchange in India. *(7)*
Q 3 B. What do you understand by Cost of Carry Model of futures valuation? *(8)*

OR

Q 3 C. Asmita buys a call option on stock MAX Ltd. at an exercise price of Rs 65 with a premium of Rs 3. Calculate the profit or loss on the option position of Asmita if the stock price on expiry is as follows:
Rs 61, Rs 62, Rs 63, Rs 64, Rs 65, Rs 66, Rs 67, Rs 68, Rs 69, Rs 70.
Also draw the pay-off diagram for the same. *(8)*

Q 3 D. Hemali wants to invest in Nifty futures. The spot price of Nifty is Rs. 15,000 with a contract size of 10. She can borrow the fund at 12% p.a. Calculate the fair value of 4 months Nifty futures. *(7)*

Q 4 A. What is Hedging? Briefly explain Hedging with Futures. *(8)*
Q 4 B. Explain the powers and functions of Forward Market Commission *(7)*

OR

Q 4 C. Explain in brief regulatory measures against illegal contracts, forward contracts and forward trading *(7)*
Q 4 D. Explain structure of the Commodity Futures market in India. *(8)*

Q 5 A. Briefly explain the need for regulatory framework in commodity derivatives market and what are the regulatory measures taken by FMC? *(8)*
Q 5 B. How margining system is used as risk management in derivative system? *(7)*

OR

Q 5 C. Short Notes (Any 3) *(15)*

1. Call Options
2. Circuit Filters
3. Speculation
4. Kabra Committee Report
5. Basis Risk